

KENTUCKY

TEACHERS' RETIREMENT SYSTEM

RETIRED MEMBER
EDITION



December
2010

Your KTRS "DB Plan" Provides Retirement Security-Even If You Live To Be 110 Years Old

**A Message from the Executive Secretary
Gary L. Harbin, CPA**

All across America the baby boom generation is starting to think about retirement. Many of these Americans with defined contribution accounts (like 401(k) accounts) are coming to the stark realization that they have not saved enough money. In a 2009 article titled "Why It's Time to Retire the 401(k)", Time Magazine noted that 46% of all 401(k) accounts have balances less than \$10,000. With such meager savings for retirement, many Americans are at substantial risk for outliving their retirement money and thereafter suffering poverty, dependence, and a loss of dignity in the last years of life.

For a person relying on a 401(k) account, how much money will they need to save to remain self-sufficient for their life? That is a fairly standard calculation if they know

they will die on or before their 74th birthday. The much more difficult calculation is trying to figure out how much money they will need if they live beyond normal life expectancy. What if they live well beyond normal life expectancy to be 85, 95, or maybe 110 years old?

The idea of living until 110 may not be as absurd as you might think. KTRS's most senior retiree is 107 years old and has received a monthly pension benefit from KTRS for 41 years. KTRS has 39 other retirees over 100 years old. There are almost 5,000 retirees ages 80 through 99 years old. Unlike those people with 401(k) accounts, KTRS retirees will not outlive their benefits.

KTRS is a Defined Benefit Group Retirement Plan or what is

continued on page 2
RETIREMENT SECURITY ...

Is Your Beneficiary Designation Current?

Keeping your beneficiary designation current for receipt of the KTRS life insurance benefit is an important matter. Failure to do so can result in added costs and stress, and even the loss of benefits, for loved ones during a very difficult time in their lives. All retirees should be sure that they have designated a beneficiary on the KTRS Life Insurance Benefit designation form. Even if you have already designated a beneficiary on this form, be sure that it is current. Subsequent marriage will void any previously designated primary beneficiary and replace that beneficiary with your new spouse. Subsequent divorce will void any designation of the former spouse as beneficiary (unless a trust is the beneficiary and the former spouse is a beneficiary of the trust) and your estate will be listed as your new beneficiary unless you designate someone else. In the event of the death of the designated beneficiary, your estate will also become the new beneficiary. By keeping your beneficiary designation on the KTRS Life Insurance Benefit designation form current, you can insure that your wishes will be carried out.

If you are a recent retiree, you will want to make sure that your beneficiary designation that you made

continued on page 2
Beneficiary Designation ...

**** Inside This Issue ****

Your KTRS "DB Plan" Provides Retirement Security-Even If You Live To Be 110 Years Old	1
Is Your Beneficiary Designation Current?	1
Important Reminder for KTRS Retirees Concerning Volunteering	2
Essential Information Re-employed Retirees	3
Board Structure & Solicitation of Candidates for Consideration	3
Holiday Closing Schedule	3
EFT Dates for 2011	4
Questions-- Call the KTRS Information Center	4
Commonwealth Issues Bond for KTRS Pension Funds	4

commonly called a "DB Plan." It provides true retirement security for your lifetime. It also provides ancillary benefits such as disability benefits if you become disabled prior to normal retirement.

DB Plans operate similarly to insurance policies by pooling "longevity risk" and carefully monitoring the average life expectancy and the amount of funds that need to be collectively set aside for retirements...no more, nor no less. This type of risk sharing mechanism eliminates the possibility of outliving retirement savings.

DB Plans also operate in an efficient manner for both the retiree and the taxpayers of the Commonwealth. Studies have also shown that on average, DB Plans can negotiate lower investment fees and enjoy higher investment returns than individuals do with their 401(k) accounts. As a long-term, group investor, rather than an individual, short-term investor, DB Plans can afford to invest in a more diversified portfolio and have a greater capacity for riding out periodic downturns in the market.

KTRS provides members with efficient pooling of longevity and investment risk. Members' assets are professionally managed at a very low cost. All of these reasons make the KTRS "DB Plan" the most secure retirement system for Kentucky's educators, most of whom do not participate in the federal Social Security program and therefore rely primarily upon KTRS for their retirement security. KTRS's efficient, effective, and secure plan stands in severe contrast to the substantial social risks and high costs associated with 401(k) accounts.

Important Reminder for KTRS Retirees Concerning Volunteering

Volunteering is a great thing for any individual to give of themselves to others, expecting nothing in return but the warm feeling of having done a good deed. However, the IRS is very concerned about "volunteering" being used as a sham retirement to circumvent federal law. When the IRS determines that a sham retirement has occurred, there can be extremely negative financial consequences for the retiree. To make volunteering a pleasurable experience while at the same time assuring compliance with federal and state laws, the following guidelines must be followed.

Volunteering during the mandatory break in service between retirement and before returning to work:

- **No** volunteering of any kind during the mandatory break in service is permitted

Volunteering after the mandatory break in service:

- Volunteering permitted*
- No reporting of true volunteering required from retiree or employer (e.g. no Form 30E required)

****Receipt of compensation in any form, either currently or at a later date, for services that are "volunteered" can have a serious impact on your KTRS retirement allowance. If you have any concerns, please contact the retirement system.***

Beneficiary Designation *continued from page 1 ...*

on your retirement application is still current. This designation is for receipt of any of your active member contributions remaining in your KTRS account that have not yet been withdrawn by receipt of your retirement allowance. Although funds in your account are withdrawn within just a few years of your retirement (your allowance continues for the rest of your life, though), your beneficiary designation on your retirement application can change for any of the reasons described above under which the beneficiary designation can change for the life insurance benefit (with the exception that subsequent marriage does not change the beneficiary designation). Please note, these guidelines do not apply to beneficiary designations for receipt of a joint and survivor annuity in those cases in which members selected a joint and survivor annuity option at the time of retirement and for which separate statutory qualifying events and conditions are applicable. Please contact KTRS at 1-800-618-1687 or 1-502-848-8500 if you have any questions.

Essential Information

Re-employed Retirees

You can help your employers be sure the correct KTRS forms are submitted for the type of job you are being hired to do. If you are returning to **part-time employment** for a KTRS employer, you fill out the form F-IRET at the time you first return to work. This opens a new retirement account and allows designation of beneficiaries for your contributions. This form must be completed only once if you are returning just to **part-time employment**. By contrast, retirees that return or change to **full-time or Critical Shortage employment** must complete the form F-IRET each year. This **full-time or Critical Shortage** group must also have their employer get KTRS approval before beginning work.

If you are employed full time by an agency that participates in the Kentucky Employees' Health Plan (KEHP) and you are eligible for health insurance, you must stop the KTRS coverage and sign up for coverage with your active employer. If you return to an employer that does not participate in the KEHP, you may keep your insurance through KTRS as long as the insurance provided by your employer is not as good as that offered by KTRS. Additionally, once you terminate your return-to-work employment, drop from full-time to part-time employment, or otherwise become ineligible for employer provided insurance, **it is your responsibility** to contact KTRS to re-enroll based on that qualifying event. Loss of insurance coverage with your active employer is a qualifying event that allows you to re-enroll with KTRS even if it is outside open enrollment. You should contact KTRS as soon as you know you will be terminating employment, dropping from full-time to part-time employment or losing coverage with your active employer for any other reason. This contact must be no later than 30-35 days from the qualifying event. In most cases you will be required to provide proof of the qualifying event. This information can also be found on our website at **www.ktrs.ky.gov**.

**PLEASE BE SURE TO FOLLOW ALL
BREAKS IN SERVICE REQUIRED BETWEEN**

**THE TIME OF RETIREMENT AND RE-
EMPLOYMENT AND BE MINDFUL OF YOUR
DAILY WAGE THRESHOLD. FAILURE TO DO
SO CAN HAVE SERIOUS FINANCIAL
CONSEQUENCES. CONTACT KTRS IF YOU
HAVE ANY QUESTIONS.**

Board Structure & Solicitation of Candidates for Consideration

The Teachers' Retirement System is governed by a nine-member Board of Trustees. Two members of the Board, the Chief School Officer and the State Treasurer, are ex-officio members. The remaining seven trustees are elected by the combined retired and active membership. Two of the seven elected trustees are identified as "lay members," and are persons who are not KTRS members. One trustee is a retired teacher; the other four trustees are active members, one of which is customarily an administrator. A vacancy has occurred for an active teacher trustee as of January 1, 2011. This term is scheduled to expire in June 30, 2013. Pursuant to KRS 161.270, the Board will select an interim replacement.

Members who wish to submit the name of an active KTRS teacher for the Board's consideration to complete the remaining three-year term should forward submissions to the address below:

**Chairman of the Nominating Committee
Kentucky Teachers' Retirement System
479 Versailles Road
Frankfort, KY 40601**

Suggested candidates for the interim appointment must be received at KTRS no later than January 7, 2011.

KTRS Holiday Closing Schedule for 2010

**The Kentucky Teachers' Retirement System
will be closed to observe the upcoming holidays:**

Christmas

Thursday & Friday,
December 23 & 24

New Year's

Thursday & Friday,
December 30 & 31

Commonwealth Issues Bond for KTRS Pension Funds

On August 26, 2010, KTRS received \$465 million in proceeds from a bond issued by the Commonwealth of Kentucky and purchased by private investors. This bond issue was approved by the Governor under the authority of legislation enacted by both chambers of the General Assembly during the 2010 Regular and Special Sessions. The proceeds of this bond issue were deposited in the KTRS Pension Fund in repayment of retirement contributions that had, since fiscal year 2005, been re-directed by the Commonwealth to pay retiree health insurance.

This is great news for the retirement system and its members. It not only repays the Pension Fund for re-directed contributions since fiscal year 2005, but it also provides a significant infusion of cash at a time when there are a lot of good investment opportunities in the marketplace. This one payment reduces the actuarially required employer contribution to the retirement system by just over three-quarters of one percentage point of total active member payroll. For this, KTRS and its membership can be very thankful to the Governor and General Assembly.

KTRS 2011 EFT Payment Dates

January 28	July 28
February 25	August 29
March 29	September 28
April 28	October 28
May 27	November 28
June 28	December 29

Questions?



**Call the KTRS
Information Center**

1-800-618-1687

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